

## ANALYSIS OF THE RESOURCES TRUST FUND 2003-05 AND 2005-07 BIENNIUMS (REFLECTING THE 2005-07 BIENNIUM EXECUTIVE BUDGET RECOMMENDATIONS)

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$20,129,911	\$37,492,816
Add estimated revenues		
Oil extraction tax collections	\$15,424,146	\$12,555,437
Repayments and reimbursements	1,805,000	2,005,000
Investment earnings/miscellaneous	133,759	824,050
Reimbursement from bond proceeds	31,150,000 <sup>3</sup>	
Total estimated revenues	<u>\$48,512,905<sup>1</sup></u>	<u>\$15,384,487</u>
Total available	\$68,642,816	\$52,877,303
Less estimated expenditures		
State Water Commission		
Grants and administration	<u>\$31,150,000<sup>2</sup></u>	<u>\$52,863,116<sup>4</sup></u>
Total estimated expenditures	<u>\$31,150,000</u>	<u>\$52,863,116</u>
Ending balance	<u><u>\$37,492,816</u></u>	<u><u>\$14,187</u></u>

**NOTE:** The resources trust fund was created pursuant to passage of measure No. 6 in the November 1980 general election. Measure No. 6 created a 6.5 percent oil extraction tax, 10 percent of which was to be allocated to the resources trust fund. In June 1990 the Constitution of North Dakota was amended to establish the resources trust fund as a constitutional trust fund and provide that the principal and income of the fund could be spent only upon legislative appropriations for:

- Constructing water-related projects, including rural water systems.
- Energy conservation programs.

In November 1994 the voters of North Dakota approved a constitutional amendment, which is now Article X, Section 24, of the Constitution of North Dakota, to provide that 20 percent of oil extraction taxes be allocated as follows:

- Fifty percent (of the 20 percent) to the common schools trust fund.
- Fifty percent (of the 20 percent) to the foundation aid stabilization fund.

North Dakota Century Code Section 57-51.1-07 provides that oil extraction tax revenues be distributed as follows:

- Twenty percent to the resources trust fund.
- Twenty percent allocated as provided in Article X, Section 24, of the Constitution of North Dakota.
- Sixty percent to the state general fund.

<sup>1</sup>Estimated revenues - 2003-05 - The estimated revenues for the 2003-05 biennium reflect actual revenues through September 30, 2004, and estimated revenues for the remainder of the biennium. The current estimate of revenues for the biennium is \$6,074,202 more than the estimate of \$11,288,703 made at the close of the 2003 legislative session. The increase is attributable to the following changes:

Increase in oil extraction tax collections	\$6,026,109
Increase in repayments for previously funded water projects	4,296
Increase in investment income	43,797
Net increase from revenue amount previously estimated for 2003-05	<u>\$6,074,202</u>

<sup>2</sup>The 2003 Legislative Assembly appropriated \$13,650,000 from the resources trust fund to the State Water Commission for water development projects. Section 10 of Senate Bill No. 2022 provides that if 2003-05 biennium revenues are in excess of \$13,650,000, any excess is appropriated to the State Water Commission, subject to Emergency Commission approval. In January 2004 the Emergency Commission and Budget Section approved a transfer of \$14.5 million of spending authority within the special funds line item from the water development trust fund to the resources trust fund for water projects. The transfer of spending authority was requested to more accurately reflect the actual beginning balances of each of the funds. Actual expenditures during the 2001-03 biennium were higher than projected from the water development trust fund and less than projected from the resources trust fund (the July 1, 2003, beginning balance of the resources trust fund was estimated to be \$3.7 million at the close of the 2003 legislative session). In addition, the Emergency Commission and Budget Section approved an additional \$3 million of spending authority from the resources trust fund for water projects based on 2003-05 biennium estimated revenues. The adjusted spending authority for water projects is approximately \$13 million (excluding estimated bond payments) from the water development trust fund and \$31,150,000 from the resources trust fund.

<sup>3</sup>Based on the executive budget recommendation, the State Water Commission plans to reimburse the 2003-05 biennium expenditures incurred from the resources trust fund with bond proceeds prior to the end of the 2003-05 biennium. Actual expenditures of \$29.6 million have been incurred from the resources trust fund as of December 15, 2004.

<sup>4</sup>Section 4 of House Bill No. 1021 (2005) provides \$52,863,116, or any additional amount that becomes available, from the resources trust fund for the purpose of defraying the expenses of the State Water Commission.